

***Maṣlahah*-Based Appraisal of Consignment Contracts: Micro, Small, and Medium Enterprises (MSME) in Pekanbaru**

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Abstract: Consignment practices in the micro, small, and medium enterprises (MSMEs) sector are still predominantly based on oral agreements grounded in mutual trust. While simple and flexible, such practices pose significant problems and vulnerabilities, including weak legal certainty, limited documentary evidence in the event of disputes, and an unequal distribution of risks, particularly for consignors. This article examines the legal appraisal of consignment contracts among MSMEs in Pekanbaru through the lens of *Maṣlahah Mursalah*. The study focuses on the prevalence of oral agreements in practice and the critical need for written contracts to enhance legal certainty and protect the interests of all parties in line with Islamic economic principles. Employing a normative-empirical approach, the research integrates the analysis of statutory provisions and Islamic contract principles with qualitative data gathered from twelve in-depth interviews and a focus group discussion (FGD) involving eight participants. The findings reveal that most consignment arrangements among Pekanbaru MSMEs are trust-based and orally agreed upon, which often leads to disputes and ambiguous delineation of rights and obligations. The *maṣlahah*-based assessment underscores that transitioning to written contracts not only strengthens creditor–debtor relationships but also aligns with the objectives of *Maqāṣid al-Shari‘ah*, particularly the protection of wealth (*ḥifẓ al-māl*). This study provides a contextual mapping of contractual practices among MSMEs, a subject rarely documented empirically in Indonesia, and bridges the theoretical framework of *maṣlahah* with microeconomic realities. The study recommends the development of standardized contract templates and the implementation of Islamic economic literacy programs for MSME actors.

Keywords: Sharia Economic Law; *Maṣlahah Mursalah*; Consignment Contracts; Micro Small and Medium Enterprises MSMEs; Legal Certainty

Abstrak: Praktik konsinyasi pada sektor UMKM masih didominasi oleh perjanjian lisan yang didasarkan pada rasa saling percaya. Meskipun sederhana dan fleksibel, praktik ini menimbulkan problem dan kerentanan serius, seperti lemahnya kepastian hukum, terbatasnya bukti tertulis ketika sengketa terjadi, serta distribusi risiko yang tidak seimbang, terutama bagi pihak konsinyor. Artikel ini mengkaji penilaian hukum atas praktik kontrak konsinyasi pada Usaha Mikro, Kecil, dan Menengah (UMKM) di Pekanbaru melalui perspektif *Maṣlahah Mursalah*. Fokus kajian diarahkan pada dominasi perjanjian lisan dalam praktik dan pentingnya

perjanjian tertulis untuk memperkuat kepastian hukum serta melindungi para pihak sesuai prinsip ekonomi syariah. Penelitian ini menggunakan pendekatan normatif-empiris. Data dikumpulkan melalui wawancara mendalam terhadap dua belas pelaku UMKM dan Diskusi Kelompok Terarah (FGD) yang melibatkan delapan peserta, serta didukung dengan telaah ketentuan perundang-undangan mengenai konsinyasi dan akad ekonomi syariah. Hasil penelitian menunjukkan sebagian besar praktik konsinyasi UMKM di Pekanbaru berbasis kepercayaan dan perjanjian lisan, sehingga berpotensi menimbulkan sengketa dan ketidakjelasan hak dan kewajiban. Penilaian berbasis *Maṣlahah Mursalah* menegaskan bahwa peralihan menuju kontrak tertulis tidak hanya memperkuat hubungan kreditur-debitur, tetapi juga sejalan dengan *Maqāṣid asy-Syari'ah*, khususnya dalam perlindungan harta (*ḥifẓ al-māl*). Studi ini memberikan pemetaan kontekstual praktik kontraktual UMKM yang jarang didokumentasikan secara empiris di Indonesia, sekaligus menjembatani teori *maṣlahah* dengan realitas mikroekonomi. Rekomendasi penelitian mencakup penyusunan template baku untuk kontrak konsinyasi serta program literasi ekonomi syariah bagi pelaku UMKM.

Kata kunci: Hukum Ekonomi Syariah; *Maṣlahah Mursalah*; Kontrak Konsinyasi; Usaha Mikro Kecil dan Menengah (UMKM); Kepastian Hukum

Introduction

The rapid development of Micro, Small, and Medium Enterprises (MSMEs) in Indonesia has created a dynamic landscape of business contracts, particularly in consignment arrangements.¹ MSMEs play a crucial role in regional economic growth, yet many of their contractual practices remain informal and are often based on verbal trust.² This condition poses risks to legal certainty and the equitable protection of parties, especially in sharia-based transactions. Studies on Indonesian MSMEs highlight that more than 60% of contractual transactions are oral, leaving entrepreneurs vulnerable to disputes, opportunistic behavior, and asymmetry of information.³ Research further confirms that such practices hinder financial inclusion and the institutionalization of sharia economic law. Therefore, the

¹ Boyke Rudy Purnomo et al., "Entrepreneurial Resilience during the Covid-19 Pandemic: Navigating Survival, Continuity and Growth," *Journal of Entrepreneurship in Emerging Economies* 13, no. 4 (September 9, 2021): 497–524, <https://doi.org/10.1108/JEEE-07-2020-0270>; A. B. Cunningham et al., "Opportunities, Barriers and Support Needs: Micro-Enterprise and Small Enterprise Development Based on Non-Timber Products in Eastern Indonesia," *Australian Forestry* 80, no. 3 (May 17, 2017): 161–77, <https://doi.org/10.1080/00049158.2017.1329614>; Siti Malikhatun Badriyah, R. Suharto, and Retno Saraswati, "The Restructuring of Credit and Lease Agreements and Its Impact on Micro, Small, and Medium-Sized Enterprise and Insolvency Risks amid the Pandemic: A Normative Juridical Method," *Corporate Law and Governance Review* 6, no. 3 (2024): 43–52, <https://doi.org/10.22495/clgrv6i3p5>.

² Kussudyarsana Kussudyarsana et al., "Examining Formal and Relational Governance in Family Small Medium Enterprises," *Journal of Entrepreneurship in Emerging Economies* 12, no. 2 (September 18, 2019): 231–57, <https://doi.org/10.1108/JEEE-10-2018-0108>; Kartini Laras Makmur, "Why Only Scrutinise Formal Finance? Money Laundering and Informal Remittance Regulations in Indonesia," *Journal of Economic Criminology* 6 (December 2024): 100111, <https://doi.org/10.1016/j.jeconc.2024.100111>.

³ Adi Saifurrahman and Salina H.J. Kassim, "Mitigating Asymmetric Information to Enhance MSME Islamic Financial Inclusion by Islamic Banks in Indonesia," *Qualitative Research in Financial Markets* 15, no. 3 (May 15, 2023): 453–70, <https://doi.org/10.1108/QRFM-12-2021-0202>.

phenomenon of consignment contracts in MSMEs requires deeper analysis, not only to identify legal weaknesses but also to explore adaptive solutions through sharia principles such as *Maṣlahah Mursalah*. This study is guided by two central research questions: (1) How is the legal position of consignment contracts among MSMEs that are still predominantly based on oral agreements, and what are the implications for legal certainty, the protection of rights and obligations of the parties, and alignment with sharia economic principles? (2) How can the principle of *Maṣlahah Mursalah* serve as a normative and practical foundation to support the transition from oral to written contracts, thereby strengthening legal certainty, protecting wealth (*hifẓ al-māl*), and reducing potential disputes in consignment practices?

Existing literature on MSME contractual practices in Indonesia indicates a consistent reliance on informal, trust-based arrangements with limited legal documentation.⁴ Although consignment schemes are popular among small traders and producers, the absence of written contracts reduces legal certainty and creates obstacles for dispute resolution.⁵ This condition contradicts the principle of transparency and fairness promoted in Sharia economic law.⁶ Studies on oral contracts and informal contractual documentation reveal recurring problems in the practice of microenterprises. Triasih (2019) highlights that the fundamental weakness of MSMEs lies in inadequate contractual governance. The absence of written agreements not only limits legal protection but also restricts access to external support, including financing institutions.⁷ This indicates that the lack of documentation is not merely an administrative issue, but a structural barrier to the sustainability of MSMEs within the framework of formal law. This perspective is reinforced by Hoirunnisa and Martoyo (2022), who examined the validity of oral agreements in the context of online rotating savings associations (*arisan*). Their study affirms that oral contracts remain legally valid under Article 1320 of the Indonesian Civil Code; however, the greatest challenge lies in the realm of evidence.⁸ Disputes that lack written documentation often end unfavorably for the weaker party, unable to defend their rights. Similarly, Dharmanto and Sari (2023) argue that while oral agreements are normatively legitimate, in practice they fail to provide effective protection for parties with

⁴ Aries Susanty, Norma Mustiana Sirait, and Arfan Bakhtiar, "The Relationship between Information Sharing, Informal Contracts and Trust on Performance of Supply Chain Management in the SMEs of Batik," *Measuring Business Excellence* 22, no. 3 (September 18, 2018): 292–314, <https://doi.org/10.1108/MBE-05-2017-0019>.

⁵ Bing Yusuf and Liliana Tedjosaputro, "Dispute Resolution for International Contract To Achieve Legal Certainty," *International Journal of Business, Economics and Law* 14, no. 5 (2017): 169–75, <http://euro.econ.cmu.edu/program/law/08-732/Types/ContractBasics.pdf>; Emmanuella Osagioduwa Osifo, Ewere Stephanie Omumu, and Modestus Alozie, "Contract Management in Construction Law: Mitigating Risks, Dispute Resolution, and Performance Enforcement," *International Journal of Research Publication and Reviews* 6, no. 3 (2024): 5874–90, <https://doi.org/10.55248/gengpi.6.0325.1279>.

⁶ Nemah Alsayed and Saim Kayadibi, "Ensuring Fairness and Transparency in Transactions: Islamic Property Law and Contracts," *Journal of the Contemporary Study of Islam* 5, no. 1 (January 2024): 33–86, <https://doi.org/10.37264/jcsi.v5i1.02>; Miftakhul Huda and Hisam Ahyani, "Normative Justice and Implementation Related to Sharia Economic Law Disputes in Realizing Legal Certainty and Justice in Indonesia," *Al-Risalah: Forum Kajian Hukum Dan Sosial Kemasyarakatan* 24, no. 1 (June 29, 2024): 103–19, <https://doi.org/10.30631/alrisalah.v24i1.1467>.

⁷ Dharu Triasih, B. Rini Heryanti, and Endah Pujiastuti, "Legal Protection for Consumers in Buying Agreements Online," *International Journal of Innovation, Creativity and Change* 10, no. 4 (2019): 127–42.

⁸ Helina Hoirunnisa and Martoyo Martoyo, "Analisis Kekuatan Hukum Pada Perjanjian Tidak Tertulis Arisan Online Emas Di Kabupaten Jember," *Rechtenstudent* 3, no. 2 (August 31, 2022): 160–71, <https://doi.org/10.35719/rch.v3i2.126>.

lower bargaining power.⁹ The absence of written evidence significantly weakens their legal claims, creating vulnerabilities that are deeply rooted among groups with limited economic capacity and legal literacy.

International scholarship also underscores this issue from a broader perspective. Muhtadi and Ardi (2021) emphasize that formal documentation in business relations is not merely an administrative requirement but an essential instrument for maintaining coordination, reducing risks of failure, and minimizing opportunistic behavior.¹⁰ Although not directly focused on MSMEs, their findings reinforce the importance of written contracts as the foundation for sustainable business interactions. Similarly, Kostriksky (2018) argues that oral agreements hinder legal enforcement and increase transaction costs.¹¹ Taken together, these studies reveal a consistent pattern, oral contracts are legally recognized but their weak evidentiary value places small business actors in vulnerable positions. Yet, little research has examined this issue in the specific context of MSME consignment practices under an Islamic legal framework. A notable gap remains in evaluating such practices through the lens of *Maṣlahah Mursalah*, which is essential for justifying the shift from oral to written contracts in order to strengthen contractual certainty and fulfill the objectives of *Maqāṣid al-Shari'ah*, particularly the protection of wealth (*ḥifẓ al-māl*).

This study is based on the argument that the persistence of verbal consignment contracts among MSMEs generates structural legal vulnerabilities.¹² Without written agreements, parties face difficulties in proving rights and obligations, which often leads to disputes and unequal bargaining power.¹³ Such practices undermine the *maqāṣid* principle of wealth protection (*ḥifẓ al-māl*) and erode trust in Islamic economic transactions. Field observations confirm that consignors bear disproportionate risks when goods are unsold or payments are delayed, while consignees operate without clear accountability. Similar findings in legal economic studies highlight that informal agreements weaken contract enforceability and discourage financial institutions from extending credit to MSMEs.¹⁴ This legal vacuum perpetuates informality and economic marginalization. Hence, adopting written contracts grounded in *Maṣlahah Mursalah* is essential to mitigate disputes, protect wealth, and provide a normative pathway toward greater legal certainty in sharia-based MSME practices.

The literature on sharia economic law has discussed the importance of contract standardization and the role of *Maqāṣid al-Shari'ah*, but empirical studies on MSME consignment remain scarce. Most existing research emphasizes banking and large-scale financing, while smaller business arrangements such as consignment among MSMEs have

⁹ Tania Erika Dharmanto and Retno Dewi Pulung Sari, "Problematika Kekuatan Hukum Perjanjian Kerja Lisan," *Jurnal Ilmiah Hukum Kenotariatan* 12, no. 1 (2023): 71–84, <https://doi.org/https://doi.org/10.28946/rpt.v12i1.2783>.

¹⁰ Falih Muhtadi and Romadhani Ardi, "Critical Success Factors of A Partnership between Traditional Shop & Startup Business: A Preliminary Findings," in *4th Asia Pacific Conference on Research in Industrial and Systems Engineering 2021* (New York, NY, USA: ACM, 2021), 188–93, <https://doi.org/10.1145/3468013.3468330>.

¹¹ Juliet P Kostriksky, "A Bargaining Dynamic Transaction Cost Approach to Understanding Framework Contracts," *Am. UL Rev.* 68 (2018): 1621.

¹² Amey Khardenavis, "Delayed Payments, Legal Hurdles, And Workforce Woes: Unraveling the Twin Challenges Faced By MSME," 2024, <https://doi.org/10.2139/ssrn.4969665>.

¹³ Rebecca Stone, "The Inequality of Bargaining Power Principle," in *Research Handbook on the Philosophy of Contract Law* (Edward Elgar Publishing, 2024), 165–77, <https://doi.org/10.4337/9781800885417.00019>.

¹⁴ David Asante Edwin, Evam Kofi Glover, and Edinam K. Glover, "Landed Property as Collateral to Access Credit for Housing Development in Ghana: The Case of Northern Region of Ghana," *Heliyon* 9, no. 7 (July 2023): e17646, <https://doi.org/10.1016/j.heliyon.2023.e17646>.

received limited attention. This gap is significant because informal contracts dominate daily practice, creating widespread risks of dispute. Tambunan (2019) documented that MSMEs represent almost all business entities in Indonesia but remain largely informal, limiting legal certainty.¹⁵ Hidayah et al. (2023) further revealed that weak contractual documentation in sharia disputes leads to inconsistent court decisions.¹⁶ Yet, few studies directly examine consignment through *maṣlahah mursalah*. This study fills the gap by providing an integrated normative-empirical appraisal of MSME consignment contracts, offering theoretical novelty in linking *maṣlahah mursalah* with contractual certainty, and practical novelty in recommending standardized written agreements for MSMEs.

This study seeks to examine the legal position of consignment contracts among Micro, Small, and Medium Enterprises (MSMEs) in Pekanbaru within the framework of *Maṣlahah Mursalah*. In practice, the majority of MSMEs continue to depend on oral agreements that, while convenient, undermine legal certainty and limit the effectiveness of dispute resolution mechanisms. The scarcity of written contracts leaves both consignors and consignees exposed to significant legal and economic risks. Against this background, the study employs a normative–empirical approach that integrates doctrinal analysis with field-based evidence, aiming to demonstrate how *Maṣlahah Mursalah* can serve as a legitimate foundation for the transition from oral to written arrangements. Such a transition is expected to improve contract enforceability, align contractual practice with the objectives of *Maqāṣid al-Shari‘ah*, particularly the protection of wealth (*hifẓ al-māl*), and mitigate the prevalence of opportunistic behavior in consignment transactions. Thus, beyond mapping existing contractual weaknesses, the study also seeks to formulate practical recommendations for enhancing certainty and accountability in MSME contractual practices within the framework of Islamic economic law.

Methodologically, this research adopts a normative-empirical design¹⁷ to capture both the doctrinal and practical dimensions of MSME consignment practices. A purely doctrinal approach would be insufficient to account for the dominance of oral arrangements in daily business interactions; therefore, statutory and case law analysis is systematically combined with empirical data collected from Pekanbaru. The normative strand of the analysis reviews the rules governing sale, agency, and sharia-based contracting; covering essential requirements, documentation duties, and principles of risk allocation. Complementing this, the empirical strand is based on qualitative fieldwork involving twelve in-depth interviews with MSME actors and one focus group discussion (FGD) with eight participants across sectors such as food, fashion, and household goods. This methodological combination provides a comprehensive framework for evaluating whether *maṣlahah* justifies formalizing consignment contracts without undermining the flexibility that MSMEs require.

¹⁵ Tulus Tambunan, “Recent Evidence of the Development of Micro, Small and Medium Enterprises in Indonesia,” *Journal of Global Entrepreneurship Research* 9, no. 1 (2019), <https://doi.org/10.1186/s40497-018-0140-4>.

¹⁶ Nur Hidayah et al., “Sharia Banking Disputes Settlement: Analysis of Religious Court Decisions in Indonesia,” *Al-Risalah: Forum Kajian Hukum Dan Sosial Kemasyarakatan* 23, no. 1 (June 2023): 75–92, <https://doi.org/10.30631/alrisalah.v23i1.1347>.

¹⁷ Yati Nurhayati, Ifrani Ifrani, and M Yasir Said, “Metodologi Normatif Dan Empiris Dalam Perspektif Ilmu Hukum,” *Jurnal Penegakan Hukum Indonesia* 2, no. 1 (2021): 1–20.

Participants were selected purposively in order to ensure the reliability and contextual relevance of the findings.¹⁸ Since not all MSMEs are involved in consignment, only actors with adequate experience and active participation were included. The selection criteria required at least six months of active involvement in consignment, responsibility for negotiating prices and payment arrangements, and direct exposure to risks such as unsold goods or delayed payments. This purposive sampling resulted in a balanced representation of MSMEs of varying scales, ranging from micro-retail stalls to semi-formal boutique shops. The diversity of respondents enabled the study to capture both commonalities and variations in contractual practices, thereby strengthening the validity of the empirical findings. Data collection relied on semi-structured interviews and a moderated FGD, allowing for both individual depth and collective interaction. Ethical protocols (including informed consent, confidentiality, and anonymization) were strictly observed to safeguard participants. Through this design, the study provides empirically grounded insights into the normative and practical challenges of consignment contracts, while offering recommendations for strengthening legal certainty in line with sharia principles.

Data collection was conducted through semi-structured interviews and a Focus Group Discussion (FGD), allowing for both depth and interaction in responses. Preliminary observation began in January 2025 to map MSME actors and identify potential participants involved in consignment practices. Subsequently, twelve in-depth interviews and one FGD session were conducted between May 6-20, 2025. This approach ensured that both personal experiences and collective perceptions of MSME actors regarding consignment contracts were documented comprehensively. Each interview was carried out face-to-face at participants' business premises, lasting approximately 45–60 minutes, following an interview protocol covering contract formation, dispute experiences, and perceptions of written versus oral agreements. The FGD, held at a local MSME cooperative hall, involved eight participants representing diverse sectors (food, fashion, and household goods) and was moderated with open-ended questions. All sessions were audio-recorded with participants' consent. Ethical clearance was secured through informed consent, confidentiality assurances, and anonymization of responses to protect identities. These procedures ensured that the data collected were both contextually grounded and ethically sound, capturing diverse perspectives on the normative and practical dimensions of MSME consignment.

The data were analyzed using a combined normative and empirical legal analysis to integrate doctrinal reasoning with field-based evidence.¹⁹ This dual approach was necessary because evaluating consignment contracts requires both a legal-normative framework and an understanding of how contracts operate in practice. It bridges the gap between statutory ideals and lived MSME experiences. The normative analysis involved reviewing statutory provisions (Civil Code, Trade Law, and Sharia Economic Law) and sharia legal principles, especially *Maṣlahah Mursalah* and *Maqāṣid al-Shari'ah*. Empirical data from interviews and FGDs were processed through thematic coding,²⁰ identifying recurrent patterns such as reliance on oral agreements, risk allocation, and the perception of written contracts. These

¹⁸ Rebecca S. Robinson, "Purposive Sampling," in *Encyclopedia of Quality of Life and Well-Being Research* (Cham: Springer International Publishing, 2023), 5645–47, https://doi.org/10.1007/978-3-031-17299-1_2337.

¹⁹ Muhammad Hendri Yanova, Parman Komarudin, and Hendra Hadi, "Metode Penelitian Hukum: Analisis Problematika Hukum Dengan Metode Penelitian Normatif Dan Empiris," *Badamai Law Journal* 8, no. 2 (2023): 394–408; Sidi Ahyar Wiraguna, "Metode Normatif Dan Empiris Dalam Penelitian Hukum: Studi Eksploratif Di Indonesia," *Public Sphere: Jurnal Sosial Politik, Pemerintahan Dan Hukum* 3, no. 3 (2024).

²⁰ Namirah Adelliani, Citra Afny Sucirahayu, and Azmiya Rahma Zanjabila, *Analisis Tematik Pada Penelitian Kualitatif* (Penerbit Salemba, 2023).

codes were then interpreted against doctrinal findings to assess whether *maṣlaḥah* justifies formalizing consignment agreements. This analytical strategy enabled the study to produce findings that are legally grounded yet empirically validated, highlighting both normative gaps and practical needs in MSME consignment contracts.

Results and Discussion

Empirical Realities of Consignment Practices among MSMEs

Field findings show that consignment practices among MSMEs in Pekanbaru are dominated by verbal agreements and informal trust-based arrangements. This condition emerges because MSME actors prioritize flexibility and speed in transactions, while perceiving written contracts as costly and unnecessary. As a result, legal certainty is often overlooked in favor of maintaining business relationships. Interviews with twelve MSME actors revealed that only two had experience using simple written notes, while the majority relied exclusively on oral commitments. The FGD further confirmed that consignors frequently deliver goods without documentation, depending solely on personal trust. These practices expose consignors to risks of delayed payments and unsold goods, while consignees face little accountability. Thus, the empirical reality indicates that MSME consignment in Pekanbaru remains predominantly informal, which sustains relational trust but weakens the legal foundation of business transactions.²¹

The predominance of oral contracts in consignment has created recurring risks for both consignors and consignees.²² Without written agreements, the allocation of rights and obligations is unclear, leading to disputes when goods are unsold or payments are delayed.²³ This practice perpetuates asymmetry, where consignors bear heavier burdens than consignees. Interview data revealed that consignors often cover losses from unsold goods or late payments, while consignees simply return the goods without financial responsibility. In the FGD, several participants stated that they “preferred not to demand payment immediately” to maintain good relations, even when their capital was tied up. Such patterns show that relational trust dominates over legal clarity, leaving consignors more vulnerable. Thus, the empirical findings highlight that informal trust-based consignment practices generate structural imbalances, disproportionately disadvantaging consignors in Pekanbaru’s MSME ecosystem.

Table 1
Empirical Risks in Oral Consignment Practices (MSMEs, Pekanbaru)²⁴

Aspect	Consignor (Goods Owner)	Consignee (Seller/Shop)
Contract Form	Oral, undocumented; trust-based only	Oral, undocumented; trust-based only

²¹ “Field Interviews (12 MSMEs), FGD (8 Participants), and Direct Observation, May 2025.” (Pekanbaru, n.d.).

²² Daria Lehto, “Analysing Consignment Stock’s Risks and Benefits for Case Company as Consignee,” 2023.

²³ Jochen Glöckner, “Unfair Trading Practices in the Supply Chain and the Co-Ordination of European Contract, Competition and Unfair Competition Law in Their Reaction to Disparities in Bargaining Power,” *Journal of Intellectual Property Law & Practice* 12, no. 5 (May 2017): 416–34, <https://doi.org/10.1093/jiplp/jpx035>.

²⁴ Field interviews (12 MSMEs), FGD (8 participants), and direct observation, 2025.

Risk of Unsold Goods	Bears full loss; goods often returned without compensation	Returns goods without financial burden
Payment Delay	Frequently experiences delayed payments, capital locked	Can postpone payments with little accountability
Accountability	Limited legal proof to claim rights, difficulty in dispute resolution	Minimal obligation to record transactions
Power Balance	Weaker position, dependent on the consignee's willingness	Stronger bargaining power, less financial risk

The evidence summarized in Table 1 confirms that oral consignment contracts among MSMEs generate structural imbalances in risk distribution. Consignors consistently face heavier burdens, particularly in unsold goods and delayed payments, while consignees operate with minimal accountability. This asymmetry emerges because trust substitutes for formal documentation. Both interviews and FGD participants acknowledged that consignors often “accept the risk of loss” and hesitate to demand timely payments to preserve relationships. Observations at retail stalls and boutiques also confirmed the absence of written records, reinforcing that informal trust dominates practice. These findings highlight how legal certainty is sacrificed for the sake of business continuity. Thus, the empirical realities reveal that although oral agreements sustain relational trust, they perpetuate unequal risk allocation and weaken the legal protection of MSME actors, underscoring the urgency of shifting toward written contracts.

From Table 1, four significant patterns can be identified. First, oral agreements are the dominant form of contract, with almost no written documentation, showing that trust fully replaces formal legal instruments. Second, risk distribution is unequal: consignors bear most of the financial burden for unsold goods and delayed payments, while consignees face almost no legal consequences. Third, payment delays are tolerated as a social strategy; consignors prefer maintaining good relations to pressing for immediate settlement, which ties up their capital. Fourth, power asymmetry consistently favors consignees, who hold stronger bargaining positions and exercise less accountability. These patterns indicate that Pekanbaru’s MSME consignment ecosystem prioritizes relational trust and short-term flexibility over long-term legal certainty and protection.

Legal Appraisal of Oral vs Written Consignment Contracts

The legal appraisal of consignment contracts among MSMEs requires distinguishing between oral and written agreements, considering Indonesian civil law and sharia economic principles.²⁵ Although oral contracts are legally recognized under Article 1320 of the Civil Code, their enforceability is limited because they lack documentary evidence for proving rights and obligations. In contrast, written contracts not only satisfy legal validity but also strengthen certainty in dispute resolution.²⁶ Field findings in Pekanbaru confirmed that MSMEs overwhelmingly depend on oral commitments, which are difficult to enforce when

²⁵ Lina Maulidiana and Ledy Famulia, “Sharia Business Contracts from the Perspective of Positive Law: An Analysis of Contract Implementation in Islamic Microfinance Institutions,” *Journal of Judicial Review* 27, no. 1 (June 2024): 121–36, <https://doi.org/10.37253/jjr.v27i1.10393>.

²⁶ Suryadi Suryadi et al., “Inconsistency in Freedom of Contract for Banking Dispute Resolution in Indonesia,” *Legality: Jurnal Ilmiah Hukum* 32, no. 2 (July 2024): 221–37, <https://doi.org/10.22219/ljih.v32i2.33121>.

conflicts arise. Literature on Islamic law emphasizes that while verbal contracts may be valid, documentation is necessary to achieve *ḥifẓ al-māl* and prevent harm (*ḍarar*). Therefore, analyzing the tension between oral validity and written certainty is essential for evaluating how MSME consignment practices align with both civil law requirements and *maqāṣid al-sharīʿah*.

The legal consequences of oral and written consignment contracts differ significantly in terms of evidentiary strength and risk protection.²⁷ While both types of contracts fulfill the validity requirements under Article 1320 of the Civil Code, consent, capacity, object, and cause, only written contracts provide reliable proof in court and clarity for dispute settlement.²⁸ This distinction is crucial for MSMEs that frequently encounter delayed payments and unsold goods. Interview data revealed that consignors relying on oral contracts often failed to claim losses because of insufficient evidence. By contrast, the two MSME actors who experimented with simple written notes found it easier to negotiate repayment schedules and assert their claims. Legal scholars in sharia law likewise argue that written documentation fulfills the *maqāṣid* of *ḥifẓ al-māl* by safeguarding wealth and reducing opportunism. Thus, while oral agreements remain valid in principle, their weak enforceability underscores the necessity of transitioning toward written forms to secure both parties in MSME consignment.

Table 2
Comparative Appraisal of Oral and Written Consignment Contracts (MSMEs, Pekanbaru)²⁹

Aspect	Oral Consignment Contract	Written Consignment Contract
Legal Validity	Recognized under Article 1320 Civil Code (consent, capacity, object, cause)	Same recognition, plus documented evidence, strengthens enforceability
Evidentiary Strength	Weak: difficult to prove obligations in court; relies only on witness testimony	Strong: Written documents serve as direct proof in disputes
Risk Distribution	Consignor bears disproportionate risks (unsold goods, delayed payment)	Risks are more balanced due to documented clauses and repayment schedules
Accountability	Limited: the consignee often avoids responsibility without a written obligation	Clear: both parties accountable, terms transparent and enforceable

²⁷ Ramy Khalef et al., “Contract Risk Management: A Comparative Study of Risk Allocation in Exculpatory Clauses and Their Legal Treatment,” *Journal of Legal Affairs and Dispute Resolution in Engineering and Construction* 13, no. 1 (February 2021), [https://doi.org/10.1061/\(ASCE\)LA.1943-4170.0000430](https://doi.org/10.1061/(ASCE)LA.1943-4170.0000430).

²⁸ Suhaebatul Isnaini, A Hashfi Luthfi, and Fajri Zulia Ramdhani, “Legal Protection of Sharia Investors in Indonesia: A Maqāṣid-Based Critique and Comparative Study of Malaysia’s System,” *Az-Zarqa’: Jurnal Hukum Bisnis Islam* 16, no. 2 (July 23, 2024): 276–99, <https://doi.org/10.14421/az-zarqa.v16.i2.4140>.

²⁹ Interviews with 12 MSME actors, FGDs with 8 participants, and Normative review (Civil Code Art. 1320; freedom of contract; Maqāṣid al-Sharīʿah).

Alignment with Sharia	Valid in principle, but undermines <i>ḥifẓ al-māl</i> due to lack of protection	Supports <i>ḥifẓ al-māl</i> and reduces opportunism, aligning with <i>maṣlaḥah mursalah</i>
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The comparative appraisal in Table 2 reaffirms the legal and practical superiority of written consignment contracts over oral ones. While oral agreements remain legally valid, their evidentiary weakness and unequal risk distribution undermine both parties' security, particularly consignors. Written contracts, by contrast, fulfill the same legal validity while providing enforceable proof and balanced accountability. Field data revealed that consignors, depending on oral commitments, frequently failed to recover losses due to a lack of written evidence. In contrast, MSME actors who adopted simple written notes succeeded in negotiating repayment schedules and safeguarding their capital. Sharia principles also support written contracts, since documentation fulfills *ḥifẓ al-māl* and actualizes *Maṣlaḥah Mursalah*. Thus, the findings indicate that written contracts not only ensure legal certainty under civil law but also provide greater alignment with Maqāṣid al-Sharī'ah, making them the preferable model for MSME consignment practices.

From Table 2, three central patterns can be drawn. First, both oral and written contracts share legal validity under Article 1320 of the Civil Code, but their practical consequences diverge sharply. Second, oral contracts prove weak in court and consistently disadvantage consignors, as risk is shifted to them without written protection, whereas written contracts create a fairer balance in obligations and risk-sharing. Third, sharia alignment strongly favors written agreements, since documentation safeguards wealth (*ḥifẓ al-māl*) and prevents harm (*ḍarar*), fulfilling the principle of *Maṣlaḥah Mursalah*. Together, these patterns demonstrate that while oral contracts may be formally valid, written consignment agreements are both normatively stronger and practically superior for MSMEs.

***Maṣlaḥah Mursalah* as a Basis for Strengthening MSME Contracts**

The application of *maṣlaḥah mursalah* provides a normative foundation for transitioning MSME consignment practices from oral to written contracts.³⁰ While oral agreements preserve relational trust, they weaken legal certainty and often expose consignors to greater risks.³¹ Written documentation, by contrast, enhances accountability and aligns with the sharia objective of protecting wealth (*ḥifẓ al-māl*).³² Classical Islamic jurists have emphasized

³⁰ Rifqi Ridlwan Nasir, Egi Hadi Kusnadi, and Aziza Mutifani Hidayah, "The Determination of Relevant Market on Islamic Financial Services Sector: Perspective of Indonesian Business Competition Law," *Az-Zarqa: Jurnal Hukum Bisnis Islam* 15, no. 2 (December 2023): 261–81, <https://doi.org/10.14421/azzarqa.v15i2.3193>; Nasrullah et al., "Reconstructing the Indonesian Legal System through the Lens of Maṣlaḥah Mursalah," *Al-Manahij: Jurnal Kajian Hukum Islam*, June 2024, 117–32, <https://doi.org/10.24090/mnh.v19i1.7861>; AHMAD MAULIDIZEN and Ashilah Raihanah, "The Technique of Determining Ijtihad and Its Application In Life: Analysis Of Istihsan, Maṣlaḥah Mursalah, 'Urf, and Syar'u Man Qablana," *Al-Ahkam Jurnal Ilmu Syari'ah Dan Hukum* 4, no. 1 (2019), <https://doi.org/10.22515/alakhkam.v4i1.1600>.

³¹ Joan MacLeod Heminway, "The Potential Legal Value of Relational Contracts in a Time of Crisis or Uncertainty," *Law & Contemp. Probs.* 85 (2022): 131.

³² Emah Nikmah and Hamdan Azhar Siregar, "Land, Law, and Legitimacy: Unveiling the Evidentiary Power of Ownership Certificates in the Confluence of Islamic and Agrarian Legal Traditions," *Jurnal Ilmiah Mahasiswa Ranshan Fikir* 14, no. 1 (April 2024): 165–75, <https://doi.org/10.24090/jimrf.v14i1.13177>.

that contracts should prevent harm (*ḍarar*) and secure benefit (*maṣlaḥah*).³³ Empirical findings in Pekanbaru show that consignors frequently lose capital due to undocumented transactions,³⁴ underscoring the need for formalization. Applying *Maṣlaḥah Mursalah* allows flexibility in adapting legal instruments to contemporary contexts without contradicting the Qur'an and Sunnah. Therefore, positioning *Maṣlaḥah Mursalah* as a guiding principle strengthens the legitimacy of written consignment contracts, ensuring that MSME practices remain both sharia-compliant and legally enforceable.

The necessity of written consignment contracts can be normatively justified through *Maṣlaḥah Mursalah*.³⁵ Although oral agreements are formally valid, they fail to provide sufficient protection when disputes arise, especially in cases of unsold goods or delayed payments. Written documentation, however, not only reduces disputes but also fulfills the higher objectives of sharia. Interviewed MSME actors reported losing up to 30% of capital in a season because payments were postponed without written acknowledgment, while others admitted being unable to claim damages due to a lack of proof. Scholars such as Hafas et al. emphasize that *maṣlaḥah* serves to prevent harm (*mafsadah*) and ensure benefit in modern financial practices.³⁶ By adopting written contracts, MSMEs simultaneously protect wealth (*ḥifẓ al-māl*) and strengthen trust in sharia-compliant business relations. Thus, the evidence demonstrates that *Maṣlaḥah Mursalah* legitimizes the shift from oral to written contracts as a necessary adaptation for MSMEs in contemporary Indonesia.

Table 3

Maṣlaḥah Implications in MSME Consignment Practices (Pekanbaru)³⁷

Dimension	Oral Contract	Consignment Contract	Written Consignment Contract	Maṣlaḥah Implications
Wealth Protection (<i>ḥifẓ al-māl</i>)	Vulnerable: consignors often lose capital from unsold goods or delayed payments	Safer: written terms enable claims and repayment schedules	Written contracts fulfill <i>ḥifẓ al-māl</i> more effectively	
Accountability	Weak: obligations unclear, consignee avoids responsibility	Strong: clear clauses enforce rights and obligations	Accountability aligns with <i>maṣlaḥah mursalah</i>	
Dispute Resolution	Difficult: relies only on witness testimony, often inconclusive	Easier: documents serve as direct proof in court or mediation	Written contracts reduce disputes (<i>ḍarar</i>)	

³³ Younes Soualhi, "Application of Shariah Contracts in Contemporary Islamic Finance: A Maqasid Perspective," *Intellectual Discourse* 23 (2015): 333–54.

³⁴ "Field Interviews (12 MSMEs), FGD (8 Participants), and Direct Observation, 2025."

³⁵ Sherman A. Jackson, "Islamic Law, Muslims and American Politics," *Islamic Law and Society* 22, no. 3 (May 2015): 253–91, <https://doi.org/10.1163/15685195-00223p03>.

³⁶ Hafas Furqani et al., "Considering Debt In The Perspective Of Maqasid Al-Shariah: Maṣlaḥah Versus Mafsadah," *PETTITA* 9 (2024): 18.

³⁷ Interviews with 12 MSME actors, FGDs with 8 participants, maqāṣid al-sharī'ah analysis (Islamic legal literature and *Maṣlaḥah Mursalah* principles).

Trust and Continuity	High relational trust, but fragile when conflicts occur	Institutionalized trust, balanced with enforceability	Integration of trust + legal certainty strengthens <i>maṣlaḥah</i>
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The analysis in Table 3 confirms that written documentation is essential for ensuring fairness and legal certainty in MSME consignment. While oral agreements preserve trust, they consistently leave consignors exposed to losses and provide little accountability for consignees. Written contracts, however, balance obligations, clarify risks, and offer enforceable proof. Empirical findings from MSMEs in Pekanbaru show consignors frequently losing working capital due to undocumented delays and unsold goods. Interviews further revealed that participants who used simple written notes felt more secure in recovering payments. These outcomes demonstrate that oral contracts generate *mafsadah* (harm), while written documentation delivers *maṣlaḥah* by protecting wealth (*ḥifẓ al-māl*) and preventing disputes. Therefore, adopting written consignment contracts grounded in *Maṣlaḥah Mursalah* is not merely a procedural improvement but a normative requirement to achieve justice and sustainability in sharia-based MSME practices.

The findings reveal that written contracts are not only legally advantageous but also ethically indispensable in protecting MSME actors. The use of *Maṣlaḥah Mursalah* demonstrates that documentation is more than an administrative formality; it is a normative tool to balance power and secure economic justice. In practice, oral agreements create hidden costs for consignors who often accept delays without recourse, undermining their financial sustainability. Written contracts, however, provide clear evidence, distribute risks fairly, and reduce opportunistic behavior. By securing rights and responsibilities, documentation enhances both market trust and compliance with *Maqāṣid al-Sharī'ah*. Hence, the description underscores that formalizing consignment contracts through *Maṣlaḥah Mursalah* strengthens both legal certainty and ethical accountability, positioning MSMEs within a framework of justice and sustainable growth.

The results of this study demonstrate three main points. First, empirical realities confirm that oral consignment contracts remain dominant among MSMEs in Pekanbaru, creating imbalances and weakening legal protection. Second, the legal appraisal highlights that while oral agreements are valid under Indonesian law, they lack evidentiary strength and accountability compared to written contracts. Third, the application of *Maṣlaḥah Mursalah* provides a normative foundation for encouraging the transition to written documentation, ensuring both fairness and compliance with *Maqāṣid al-Sharī'ah*. Taken together, these findings establish that the formalization of consignment contracts is not only a procedural necessity but also a substantive requirement for legal certainty and ethical justice in MSME practices.

Interpretation within the Framework of *Maqāṣid al-Sharī'ah*

This study found that oral consignment contracts dominate MSME practices in Pekanbaru but create significant legal and ethical vulnerabilities. Although recognized under Indonesian civil law, oral agreements fail to provide sufficient proof in disputes and leave consignors disproportionately exposed to risks of delayed payments and unsold goods. Written contracts, by contrast, fulfill the same legal validity while providing stronger evidentiary support and balanced accountability. Empirical evidence showed consignors losing up to 30% of working capital in undocumented transactions, while those using written notes

reported greater security. Legal analysis reinforced that written contracts better align with *ḥifẓ al-māl* and reduce *ḍarar*. In summary, the findings demonstrate the necessity of transitioning from oral to written consignment contracts, legitimized by *Maṣlahah Mursalah* as both a legal and ethical imperative for MSME sustainability.

The explanation for the need to formalize MSME consignment contracts lies in the imbalance between relational trust and legal certainty. Oral agreements reflect cultural norms of kinship and solidarity, but they cannot withstand the complexities of modern commerce. Without documentation, contracts remain vulnerable to disputes, opportunism, and unequal bargaining positions. Previous studies confirm that informal MSME contracts increase transaction costs and limit access to financing.³⁸ The Pekanbaru findings reinforce this by showing consignors trapped in repeated payment delays, undermining their financial stability. Islamic law scholars emphasize that written agreements do not replace trust but institutionalize it, thereby preventing *ḍarar* and promoting *ḥifẓ al-māl*. Therefore, formalization through written contracts is not only a legal necessity but also a mechanism to harmonize cultural trust with sharia-based principles of justice and wealth protection.

The implications of this study extend to both legal scholarship and practical MSME development. By integrating *Maṣlahah Mursalah* with empirical realities, the findings underline that legal certainty and ethical accountability must operate together in Islamic economic contracts. For policymakers, this implies that regulation should be sensitive to MSME conditions while promoting documentation. Previous research indicates that the absence of standardized contracts restricts MSMEs' access to formal financing and exposes them to exploitation.³⁹ The evidence from Pekanbaru highlights that even minimal written notes significantly reduce disputes and secure payments. Thus, formalization benefits not only consignors but also strengthens the trustworthiness of MSMEs in wider markets. Accordingly, the implication is that written contracts serve as a strategic bridge, linking the *Maqāṣid al-Shari'ah* with the institutional needs of MSMEs, and should be promoted through education, policy, and legal reform.

The findings of this study align with, yet also diverge from, prior scholarship on Islamic economic contracts. Similar to research in Malaysia and the Middle East, this study confirms that documentation strengthens accountability in sharia-based business transactions. However, unlike contexts where banking dominates, Pekanbaru MSMEs show that oral agreements remain deeply rooted in cultural norms. Abdul Rahim et al. (2024) and Masruki, Rosnia et al. (2020) emphasized that stronger documentation enhances the accountability of Sharia governance boards in Malaysia (Arab Law Quarterly).⁴⁰ Meanwhile, Hidayah et al. found that weak documentation in Indonesian sharia banking disputes leads

³⁸ M. Hadyan Yunhas Purba et al., "Unequal Regulation in Partnerships between MSMEs and Large Enterprises in Indonesia," *Problems and Perspectives in Management* 23, no. 1 (March 2025): 424–36, [https://doi.org/10.21511/ppm.23\(1\).2025.32](https://doi.org/10.21511/ppm.23(1).2025.32); Tambunan, "Recent Evidence of the Development of Micro, Small and Medium Enterprises in Indonesia."

³⁹ Hidayah et al., "Sharia Banking Disputes Settlement: Analysis of Religious Court Decisions in Indonesia."

⁴⁰ Memiyanty Abdul Rahim, Nur 'Ain Syahirah Shaharuddin, and Norazah Mohd Suki, "Shariah Governance Disclosure and Its Effect on Islamic Banks' Financial Performance: Evidence from Malaysia and GCC Countries," *Journal of Islamic Accounting and Business Research* 15, no. 4 (March 2024): 619–42, <https://doi.org/10.1108/JIABR-08-2021-0235>; Rosnia Masruki, "Shariah Governance Practices of Malaysian Islamic Banks in the Light of Shariah Compliance," *Asian Journal of Accounting and Governance* 13 (2020), <https://doi.org/10.17576/AJAG-2020-13-08>.

to inconsistent judicial outcomes.⁴¹ Our study extends these insights by focusing on MSME consignment contracts, where *Maṣlaḥah Mursalah* provides the normative bridge to shift from oral to written agreements. Thus, compared to prior studies, this research highlights a unique intersection between cultural practices and *Maqāṣid al-Shari'ah*, demonstrating that formalization of contracts is both a legal and ethical necessity for MSMEs.

The interpretation of these findings suggests that the transition from oral to written consignment contracts embodies the realization of *Maqāṣid al-Shari'ah* in the MSME sector. At its core, *Maqāṣid al-Shari'ah* seeks to protect essential interests, particularly wealth (*ḥifẓ al-māl*), and to prevent harm (*ḍarar*). Oral agreements, while culturally embedded, fail to meet these objectives due to their vulnerability to disputes and opportunism. The evidence from Pekanbaru shows consignors are consistently disadvantaged in oral contracts, while written agreements restore balance and ensure enforceable rights. This transformation aligns with Ishak (2019) assertion that *maṣlaḥah* justifies contemporary legal instruments when they prevent harm and promote fairness.⁴² By institutionalizing trust through documentation, MSME contracts achieve both legal certainty and ethical justice. Therefore, the shift toward written consignment contracts should be interpreted not merely as procedural reform, but as an embodiment of *Maqāṣid al-Shari'ah* in modern Islamic economic practice.

Conclusion

This study concludes that oral consignment contracts, though valid under Indonesian civil law, remain insufficient for protecting MSMEs in practice. The predominance of oral agreements in Pekanbaru reflects cultural reliance on trust but generates structural imbalances that disproportionately disadvantage consignors. Written contracts, by contrast, fulfill the same validity requirements while enhancing evidentiary strength and accountability. Empirical data demonstrated consignors experiencing repeated losses due to undocumented delays and unsold goods. Legal appraisal confirmed that written documentation prevents such harm and aligns with the *Maqāṣid al-Shari'ah*, particularly the protection of wealth (*ḥifẓ al-māl*). The application of *Maṣlaḥah Mursalah* provides a normative justification for this transition. Accordingly, the main conclusion is that formalizing MSME consignment contracts into written form is both a legal necessity and an ethical requirement to ensure justice and sustainability.

This study contributes both theoretically and practically to the discourse on sharia economic law and MSME development. Theoretically, it expands existing scholarship by linking empirical realities of MSME contracts with the normative framework of *Maṣlaḥah Mursalah* and the *Maqāṣid al-Shari'ah*. Practically, it offers insights for improving contract enforcement and legal certainty in the MSME sector. Prior studies have largely focused on banking and large-scale financial institutions, with limited attention to micro-level contracts. By focusing on MSME consignment in Pekanbaru, this research addresses a gap by demonstrating how informal oral practices undermine both creditor protection and market credibility. The integration of empirical findings and Islamic legal reasoning provides a novel

⁴¹ Hidayah et al., "Sharia Banking Disputes Settlement: Analysis of Religious Court Decisions in Indonesia."

⁴² Muhammad Shahrul Ifwat Ishak, "The Principle of *Maṣlaḥah* and Its Application in Islamic Banking Operations in Malaysia," *ISRA International Journal of Islamic Finance* 11, no. 1 (June 2019): 137–46, <https://doi.org/10.1108/IJIF-01-2018-0017>.

perspective. Thus, the main contribution of this research lies in presenting a *Maṣlahah*-based legal appraisal that can guide both policymakers and practitioners in strengthening MSME contract practices.

This study recognizes several limitations that should be addressed in future research. The empirical data were limited to 12 interviews and FGD with eight local MSME actors in Pekanbaru, which may not fully capture the diversity of consignment practices across Indonesia. Additionally, the study relied primarily on qualitative insights without quantitative measurement of economic losses at scale. Although the findings provide strong indications of risks in oral contracts, broader surveys and multi-regional case studies would be necessary to validate and generalize these results. Similarly, legal appraisal focused on civil law and Sharia principles without detailed economic modeling of cost–benefit impacts. Therefore, future research should expand both sample size and methodological scope by combining qualitative and quantitative approaches, enabling more comprehensive assessments of MSME contract practices in alignment with *Maqāṣid al-Shari‘ah*.

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